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AUDITOR GENERAL

# California Legislature

## Office of the Auditor General



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Letter Report I-0008

Honorable S. Floyd Mori  
Chairman, and Members of the  
Joint Legislative Audit Committee  
Room 4168, State Capitol  
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to a request of the Joint Legislative Audit Committee, we have investigated complaints against Solano Community College. The complainant alleged that

1. Administrators are purchasing materials and supplies in violation of Education Code Section 81644 and Campus Procedure No. 3141.1;
2. Administrators have, without proper authority, stored a stolen airplane valued at over \$85,000 in vocational education facilities;
3. Administrators have failed to institute inventory controls for vocational education program supplies and equipment.

After interviewing college staff personnel and reviewing accounting records, appropriate reports, and pertinent laws and regulations, we have concluded that the first allegation can be substantiated; it is the subject of our report.

The second allegation cannot be substantiated. There is no evidence to show that Solano Community College administrators authorized the landing or storing of a stolen airplane on campus nor were they aware of the incident prior to county law enforcement officials notifying the president. A college staff person arranged the landing of the airplane with the campus police, who failed to question the staff person's authority. Additionally, the airplane was confiscated by the police and returned to its rightful owner.

The third allegation is true. There is no uniform control over the inventory of vocational education supplies, and inventory policies are determined by each division chairman. We examined the June 30, 1979 financial audit report by Peat, Marwick, Mitchell & Company and found that they did not take exception to current inventory policies or recommend any system changes.

Noncompliance with District and  
State Rules Regarding Contracts for  
Automobile Materials and Supplies

We found that the college has not adhered to prescribed procedures in the purchase of automobile materials and supplies for its student automotive instruction program within the Trade and Technical Division. Vendor contracts for the purchase of automobile materials and supplies must satisfy Solano Community College District Policies and Procedures, Section 3141.1 and Section 81644 of the Education Code. District procedures state that

The Superintendent is empowered to act for the Governing Board in making purchases or letting contracts for goods, services, and/or leases; and he may obtain three (3) estimates for such requirements without publishing the notice calling for bids providing: (1) Estimates shall be submitted in writing by bonafide dealers or craftsmen engaged in the business or in handling the goods specified; (2) If any of the estimates of the cost of the work to be done is less than five thousand dollars (\$5,000.00); and (3) If any of the estimates of the cost of materials or supplies to be furnished is less than eight thousand dollars (\$8,000.00)....

In addition, Section 81644 of the Education Code states that

Continuing contracts for work to be done, services to be performed, or for apparatus or equipment to be furnished, sold, built, installed, or repaired for the district, or for materials or supplies to be furnished or sold to the district may be made with an accepted vendor as follows: for work or services, or for apparatus or equipment, not to exceed five years; for materials or supplies, not to exceed three years. (Emphasis added.)

In 1976, the Trade and Technical Division began purchasing automobile materials and supplies from Vaca Valley Auto Parts. The college has purchased over \$26,000 in materials and supplies from the Vaca Valley Auto Parts store since September of 1976. This arrangement was not consummated within the provisions of Campus Procedures 3141.1 in that three written estimates were not obtained from bonafide automobile supply dealers. Additionally, this arrangement has extended for over three years. Thus, it conflicts with provisions of Section 81644 of the Education Code which requires college administrators to renew vendor agreements for materials and supplies every three years.

The college has no record of the terms and conditions of the 1976 arrangement. However, a college representative claimed that under the arrangement the owner agreed (a) to supply the automotive instruction program with materials and supplies at a 20 percent trade discount, (b) to give the college an additional 2 percent discount if invoices were paid within thirty days, (c) to give students who purchased automotive materials and supplies a 20 percent trade discount, and (d) to deliver purchased items rapidly. The Business Services Officer of Solano Community College was unaware of this informal arrangement; thus, he was unable to verify that the warrants paid conformed to the above conditions.

#### Possible Conflict of Interest

The owner of Vaca Valley Auto Parts is also chairman of Solano Community College's General Vocational-Technical Advisory Committee. This relationship with the college could lead to an unfair competitive advantage for him. According to the President of Solano Community College, the County Counsel stated that he perceives no conflict of interest relative to the existing relationship between the college and the owner of Vaca Valley Auto Parts.

Members of the Joint  
Legislative Audit Committee  
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Recommendation

We recommend that the Joint Legislative Audit Committee direct a letter to the President of Solano Community College requesting that he advise the Committee of adopted measures to comply with pertinent state and campus regulations. Additionally, we recommend that the Committee be furnished a written legal opinion regarding the propriety of the college doing business with the owner of Vaca Valley Auto Parts who is also a member of a college advisory committee.

Respectfully submitted,

A handwritten signature in cursive script that reads "Thomas W. Hayes". The signature is written in black ink and is positioned above the printed name and title.

THOMAS W. HAYES  
Auditor General

Staff: Karl W. Dolk, CPA  
Douglas L. Williams, Esq.